

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2013-10

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 10
(November 7, 2013)

The Postal Service hereby files its response to Chairman's Information Request No. 10, issued on November 5, 2013. The question is stated verbatim, and is followed by the Postal Service's response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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1. The Postal Service proposes no change to the 9.0 cent discount for a nonprofit presort automation 5-digit flat, while reducing the discount for a commercial presort automation 5-digit flat from 9.3 cents to 9.2 cents. The Postal Service explains that if it increased the nonprofit discount to match the commercial discount, i.e., increased the current nonprofit discount from 9.0 cents to 9.2 cents, the passthrough would rise further above 100 percent (from 103.4 percent to 105.7 percent). Notice at 47, See *also* Attachment B to the Notice.
 - a. Please provide justification for not establishing equal discounts for commercial and nonprofit presort automation 5-digit flats, *e.g.*, decreasing the current commercial discount from 9.3 cents to 9.0 cents.
 - b. Please confirm that if the commercial presort automation 5-digit flat discount was aligned with the nonprofit presort automation 5-digit flat discount (9.0 cents), it would result in an overall rate increase of 2.3 percent for commercial presort automation 5-digit flats, as opposed to the proposed 1.7 percent increase for commercial presort automation 5-digit flats. If not confirmed, please explain and provide supporting workpapers.
 - c. Please confirm that if the commercial presort automation 5-digit flat discount is reduced to be aligned with the nonprofit presort automation 5-digit flat discount (9.0 cents), that the percentage change in rates for Standard Mail will still fall below the CPI-U price cap of 1.696 percent. If not confirmed, please explain and provide supporting workpapers.

RESPONSE:

- a. The Postal Service did not lower the commercial discount to 9.0 cents because doing so would have caused the price gap between Carrier Route flats and 5-digit flats to increase even further than the 8.5 cents proposed in this price filing. The Postal Service determined that it was preferable to maintain this gap, because there is no cost difference between automation 5-digit flats and Carrier Route flats (in an FSS Zone).

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Had the Postal Service increased the gap between 5-digit and Carrier Route (by lowering the commercial discount to 9.0 cents), it would have increased mailers' incentive to present Carrier Route flats in FSS zones, thus decreasing net revenue. Furthermore, as the Postal Service has previously explained, it did not align the nonprofit discount with the commercial one (by increasing the nonprofit discount) because doing so would have pushed the nonprofit passthrough even further above 100 percent.

Given the small size of the differential between the Commercial and Nonprofit discounts, and the reasons described above, the Postal Service determined that it was best to adopt the discounts proposed in this docket. The Postal Service will be mindful to align these discounts in future price adjustments.

- b. Confirmed.
- c. Confirmed.